Smart Meters Master Class – Unlocking the Potential

December 2014
Post-workshop report

SACOSS
South Australian Council of Social Service

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About SACOSS

SACOSS does not accept poverty, inequity or injustice. We will be a powerful and representative voice that leads and supports our community to take actions that achieve our vision. We will hold to account governments, business and communities for actions that disadvantage vulnerable South Australians.

As the peak non-government representative body for community services in South Australia, the South Australian Council of Social Service has a vision of justice, opportunity and shared wealth for all South Australians.

SACOSS has a strong membership base from a broad cross-section of the social services arena. Members of our organisation span both small and large agencies, peak bodies, service providers, individuals, and some government departments.

SACOSS offers a strong voice for the sector and for vulnerable and disadvantaged South Australians. We play an important integrative function by undertaking key peak roles which include:

- Research, policy development, advice to government and the sector
- Advocacy and representation to government and other decision makers
- Information dissemination within the sector and to the community
- Sector consultation and coordination within the sector
- Sector capacity building to enable better service delivery and functioning of community organisations

As South Australia's peak body for the social services sector, SACOSS draws strength from an active and cohesive membership of like-focussed people.

SACOSS is also part of a national network, consisting of the Australian Council of Social Service (ACOSS) and the other state and territory Councils of Social Service, which advocate for low income and disadvantaged people Australia-wide.

Background

The energy market is undergoing rapid change with significant advances in technologies being offered to consumers including the introduction of advanced metering infrastructure or *smart meters*.

In principle, a smart meter is a device that measures and records the amount of electricity a consumer is using and (unlike conventional accumulation meters) remotely communicates this information back to the energy provider. This functionality, in conjunction with in-home displays and /or web portals, has the potential to provide consumers with more control over their electricity consumption and expenditure through a greater understanding of their energy needs.

Australian energy consumers have experienced significant increases to electricity prices over the past few years[1]. For many households this increased expenditure has resulted in financial stress[2] and economic hardship. For these reasons it is imperative consumers have affordable access to contemporary metering mechanisms that provide tangible and long-lasting benefits.

To date Victoria is the only state to implement a large-scale mandated roll out of smart meters to consumers. Approximately 2.8 million meters have been installed and smart meters are now considered the standard in Victoria[3]. However the Victorian experience has not been problem-free and reforms to the regulatory framework supporting smart meters are currently underway.

The application of policy settings and regulations is important in ensuring efficient outcomes that are in the long-term interests of consumers. The Australian Energy Market Commission (AEMC) and the Australian Energy Regulator (AER) are working on developing and implementing rules and regulations that facilitate the transition to smart meters for states in the National Electricity Market (NEM).

The AEMC highlights the lack of competition and consumer choice as barriers for consumers engaging with smart meter technology. The AEMC is working on a number of proposed rule changes that seek to address this issue along with exit fees and their impact on consumers and the lack of rules regarding consumer consent for meter upgrades[4]. A final determination on these reforms is expected mid-2015. Detailed information on these reform processes is available from the AEMC website[5].

[1] Carbon + energy markets 2012, Electricity Prices in Australia: An International Comparison, http://cmeaustralia.com.au/wp-content/uploads/2013/09/FINAL-INTERNATIONAL-PRICE-COMPARISON-FOR-PUBLIC-RELEASE-29-MARCH-2012.pdf p. 10

[2] Financial stress as defined by Brackertz (2012, p. 5) 'can mean that people are unable to afford essential items such as food and heating or may not be able to pay their bills. It is also a source of stress and anxiety which negatively affects people's health and ability to cope', www.salvationarmy.org.au/Global/News%20and%20Media/Reports/2012/00099-I-wish-I-had-known-sooner-Oct-2012.pdf

[3] State Government of Victoria 2014, Smartmeters, http://www.smartmeters.vic.gov.au/__data/assets/pdf_file/0017/214055/Smart_meters_-_End_of_rollout.pdf

[4] AEMC 2014, Overview of proposed metering reforms presentation, http://sacoss.org.au/sites/default/files/public/Richard%20Owens%20AEMC%20SACOSS%20Smart%20Meters%20Master%20Class%20Propsosed%20Metering%20Reforms.pdf

[5] www.aemc.gov.au

The Australian Energy Regulator also has a role in metering services for NEM states via the electricity distribution regulatory process. This process occurs every 5 years and electricity distribution businesses must submit their revenue determinations to the AER for review. Currently Queensland, South Australia, New South Wales and the ACT are engaged in this process.

The AER's role in regulated metering is to classify metering services and thus determine the nature of the economic regulation to be applied to smart meters. This includes how prices are set (a direct impact on consumers), who regulates the prices (whether the AER has direct control, arbitrates disputes only or does not regulate at all) and how distribution businesses are able to recover costs from consumers (i.e. averaging costs across all consumers or charging only those who benefit from the service)[6].

The AER will also determine the types of metering costs distribution businesses can recover from consumers including those for existing, replacement and new meters, supporting assets (IT systems) and operating costs (maintenance). Decisions on how these charges will be recovered from consumers are also considered and may include upfront charges, annual charges or exit fees[7].

The AER acknowledges a transition to a smart meter environment produces a number of issues for consideration. These include:

1. How charges will influence customer switching (an important element for promoting efficient market competition);

2. Concerns over exit fees. The AER has received feedback that the levels are too high and they provide a disincentive for competition;

3. The effect of proposed charges;

4. Maintaining cost visibility for consumers, i.e. current charges versus what will be charged for a new or upgraded meter and,

5. Ensuring regulatory decisions do not deter the development of competition.

The specifics of how the AER is managing the transition to smart meters for participating NEM states are available from the AER website[8]. The AER's final determination decisions are expected in April 2015 for NSW and the ACT and October 2015 for SA and QLD[9].

An international perspective

The introduction of smart meters is not confined to Australia. Many countries around the world are introducing contemporary meters including Europe, the United States of America, Great Britain and New Zealand. The New Zealand experience appears to be working well and was the focus of the SACOSS Smart Meters Master Class keynote presentation. Fraser Clark, Manager of Market Services from the New Zealand Electricity Authority (EA[10]) spoke about how the smart meter roll-out was achieved[11].

The presentation outlined the similarities and differences between the New Zealand and Australian electricity markets. Both markets have comparable supply chain structures however Australia has a greater number of residential consumers and energy retailers and significantly larger generation capacity.

The EA reports the New Zealand smart meter experience has provided consumers with the following benefits:

- No obvious cost increases. The strong competition between retailers has resulted in meters being installed free of charge to the consumer (New Zealand Electricity Authority Media Release);
- Better customer service with less meter access issues, no meter read errors or estimates and fewer billing errors and enquiries and,
- Access to innovative products to manage and understand energy consumption and costs such as web portals, phone apps and in-home displays.

[6] AER 2013, Preliminary positions paper Framework and approach for SA Power Networks Regulatory control period commencing 1 July 2015, http://www.aer.gov.au/sites/default/files/AER%20-%20Preliminary%20positions%20framework%20and%20approach%20-%20SA%20Power%20Networks%20-%20December%202013.pdf p. 9

[7] AER 2014, Metering regulation presentation, http://sacoss.org.au/sites/default/files/public/Bruno%20Coelho%20AER%20SACOSS%20Smart%20Meters%20Master%20Class%20Metering%20Regulation.pdf

[8] AER, Determinations and Access Arrangements, http://www.aer.gov.au/networks-pipelines/determinations-and-access-arrangements?sector=4&segment=10&region=All&status=6

[9] AER http://www.aer.gov.au/networks-pipelines/determinations-and-access-arrangements?sector=4&segment=All&region=16&status=6

[10] The EA holds a similar role to the AER in Australia.

[11] Electricity Authority 2014, Getting smarter: NZ's smart meter success story presentation, http://sacoss.org.au/sites/default/files/public/Fraser%20Clark%20NZ%20Electricity%20Authority%20SACOSS%20Smart%20Meters%20Master%20Class%20Keynote%20Presentation.pdf

The EA believe the key drivers behind these benefits are competition and compliance. Factors that have contributed to a 60% market penetration of smart meters in 2014 include:

- Full retail competition introduced in 1999 and increasing competition and a cost-to-serve (business activities and costs associated with serving a customer) focus;
- A market led roll-out as opposed to a mandated government roll-out and,
- The participation of all major retailers in pursing smart meters with limited number of distributors competing in the market. This is due to retailers having a lower cost-to-serve and an emerging role in retail product innovation.

The EA has taken a light approach to regulating the smart meter roll-out that has included:

- Implementing advisory guidelines to assist with the establishment and operation of smart meters[12];
- A new metering code that sets out the duties and responsibilities for industry participants and,
- Implementing a deadline for the recertification of meter installations. By April 2015 all meters must be recertified and retailers are taking the opportunity to replace existing meters with smart meters[13].

The EA believes a competitive smart meter roll out was a fit-for-purpose implementation that has delivered market efficiency gains, evolved innovation in retail products and provided a platform for future market revolution.

[12] Electricity Authority 2015, Advanced Metering, https://www.ea.govt.nz/operations/retail/metering/advanced-metering/
[13] Electricity Commission 2009, Advanced Metering Infrastructure in New Zealand: Roll-out and Requirements, p. 12

SACOSS Smart Meters Master Class – Unlocking the Potential

With the introduction of smart meters firmly on the Australian regulatory and policy making agenda SACOSS believes it is imperative consumers have access to accurate and relevant information in order to make sound decisions regarding the metering mechanisms of their energy supply.

Consumer advocates play an important role in the dissemination of energy information particularly where the content is highly technical. In order for consumers to harness the benefits of smart meter technology it is vital that consumer advocates have a sound understanding of the technology and can effectively share this knowledge with their constituents.

In line with this thinking SACOSS hosted a Smart Meters Master Class in December 2014 with the purpose of bringing together senior energy advocates and topic experts from the energy industry to discuss the pertinent benefits and issues of smart meter technology. The master class content was delivered via a number of speakers and included a field trip to the South Australia Power Networks, Network Innovation Centre. Below is the list of presenters and their specific topics. All speaker presentations are available from the SACOSS website (www.sacoss.org.au).

Presentations

- **Keynote Presentation, the New Zealand Smart Meter Experience**
  Fraser Clark, Electricity Authority New Zealand
- **The Australian Reform Agenda Update**
  Richards Owens, Australian Energy Market Commission
- **The Victorian Experience**
  Michael McFarlane, Jemena
- **The Queensland Perspective**
  Mike Swanston, Energex
- **Tariff Structures**
  Andrew Dillon, Energy Supply Association of Australia
- **Tariff Structures**
  Gavin Dufty, St Vincent de Paul Society Victoria
- **Consumer Choices**
  Craig Memery, Alternative Technology Association
- **Energy Services and third party providers**
  Doug Ross, Vector
- **Costs and minimum specifications**
  Stephanie Bashir, AGL
- **Network Innovation Centre (including smart meter demonstration)**
  South Australia Power Networks
- **The Regulatory Process**
  Bruno Coelho, Australian Energy Regulator

Delegates

Helen Scott, Ethnic Communities' Council NSW

Rhiannon Cook, Council of Social Service NSW

Gabrielle Kuiper, Public Interest Advocacy Centre

Rose McGrath, Queensland Council of Social Service

Suzanne Yeates, Queensland Council of Social Service

Robyn Robinson, COTA QLD

Anthony Plisek, Anglicare Tasmania

Craig Memery, Alternative Technology Association

Claire Maires, Consumer Action Law Centre

Sue Fraser, Kildonan UnitingCare

Gavin Dufty, St Vincent de Paul Society

James Sedman, National Seniors Australia

Teresa Clarke, Anglicare Sydney

Fiona Hawthorne, UnitingCare Community

Ian Jarratt, Queensland Consumers Association

Natalie Walsh, MS Queensland

Lisa Hansen, Casey North Community Information and Support Service

Bahar Salehi, Anglicare SA

Ross Womersley, South Australian Council of Social Service

Jo De Silva, South Australian Council of Social Service

Bronwyn Colby, South Australian Council of Social Service

Anne Crouch, South Australian Financial Counsellors Association

Cherith Pryer, the Salvation Army

Mark Henley, Uniting Communities

Leanne Burns, Uniting Communities

Rosalyn Williams, UCWB

Helen Pilmore, UnitingCare Wesley Port Adelaide

Craig Bradbrook, UnitingCare Wesley Port Adelaide

Andrew Hadert, UnitingCare Wesley Country SA

Melissa Nutt, UnitingCare Wesley Country SA

Bob Weymouth, Facilitator

Key themes

The focus of the master class was to highlight and discuss the benefits smart meter technology can provide to consumers. Consumer advocates participating in the master class recognised the following benefits:

- Greater opportunities for consumers to actuate energy efficiency via access to their real time consumption data. This provides an opportunity for consumers to understand how much electricity they are using, when they are using and the effects of household appliances on consumption;
- The potential for consumers to avoid bill shock (an unexpectedly large power bill) as the understanding of household consumption behaviours increase. Consumers become active participants and gain the ability to make tangible decisions regarding electricity usage and the associated costs;
- Access to lower network costs that reflect each consumer's usage as proposed in the current network regulation reforms;
- Easier and faster to switch retailers as the process to switch is completed electronically and,
- The opportunity to take advantage of cost reflective pricing, where consumers pay different prices for energy used at different times of the day and/or week.

However alongside these benefits, participants also highlighted a number of concerns relating to smart meter technology. These include:

- Impacts on vulnerable consumers such as access to new technologies, consumer literacy levels and time of use pricing (in particular where consumers can't shift their load);
- Current concession regimes. Regardless of technological innovations and the benefits they provide, vulnerable consumers will still require access to concessions that support bill payments. Consumer advocates are concerned the current regimes of national concessions are inadequate and need to be reviewed as a matter of urgency;
- Ensuring the benefits of smart meters for consumers are not overshadowed by the benefits for retailers;
- The cost of implementing and maintaining smart meters and how the allocation of these costs will be managed (i.e. who pays?);
- The challenges renters will face in accessing and engaging with smart meter technology;
- Ensuring minimum metering standards are future proofed to deliver advanced metering services and,
- The management of consumer information to ensure consumer privacy and data security.

Conclusion

The SACOSS Smart Meters Master Class was well received by participants and delivered the opportunity for consumer advocates to engage positively with smart meter technologies.

In addition to the material discussed above, the discussions of the day also highlighted the complexity of the issues regarding smart meters, reinforced the role of concessions as a safety net and emphasised the need for the community sector to be fully versed on cost reflective pricing. With this in mind SACOSS believes a forum specifically designed to address the tariff structures for advanced metering infrastructure is needed. SACOSS is currently investigating funding avenues to deliver a tariff focused master class for energy consumer advocates.

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